

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 17, 2007, 2:00 P.M.
Room W020, West Office Building, State Capitol Complex

Members Present: Sen. Greg Bell, Co-Chair
 Sen. Curtis Bramble
 Sen. Brent Goodfellow
 Rep. Ron Bigelow
 Rep. Mel Brown
 Rep. David Clark
 Rep. Brad Daw
 Rep. John Dougall
 Rep. Kay McIff
 Rep. Scott L. Wyatt
 Rep. Chris Johnson
 Rep. Carol Spackman Moss
 Rep. LaWanna "Lou" Shurtliff

Members Excused: Rep. Kory M. Holdaway, Co-Chair
 Sen. Dan Eastman

Staff Present: Spencer Pratt, Senior Legislative Fiscal Analyst
 Rolayne Day, Secretary

Public Speakers Present: Commissioner Richard Kendell
 Dirk Anderson, GOPB
 Kirt Michaelis, Vice President of Administrative Services, UCAT
 David Squire, Executive Director, Utah Medical Education Council

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to Order—Committee Co-Chair Bell called the meeting to order at 2:18 p.m. He excused Rep. Holdaway from the meeting and said that, although the agenda did not indicate, Sen Bramble also serves on the Executive Offices and Criminal Justice Appropriations Subcommittee and will be splitting his time between the two committees.

2. Approval of Minutes

MOTION: Rep. Daw moved to approve minutes of the January 10, 2007, meeting.

The motion passed unanimously with Sen. Bramble and Reps. Bigelow, Brown, Clark and Shurtliff absent for the vote.

3. Fiscal Analyst overview of USHE, UCAT, MEC budgets—Fiscal Analyst Spencer Pratt briefly discussed the contents of Tabs 1, 2 and 3 in the Budget Book. Information in the Budget Book is also available online at the Legislature Web site. He noted that Tab 3 contains the issue briefs and Tab 5 contains the USHE budget summary. Page 3 under Tab 5 reflects what is in the base budget bill for the nine institutions, UCAT, and the State Board of Regents. It does not include UEN or the Medical Education Council (MEC) budgets. Recommendations are included in the individual issue briefs for each institution or entity. Mr. Pratt said agenda items will be issue and policy topic driven rather than by institution.

UCAT—The UCAT mission is to provide open entry/open exit, competency-based training for both secondary and post-secondary students. Last year's headcount was 59,000 students with 5.3 million membership hours. Page 3 under Tab 16 shows the base budgets for all nine-campus. Both the membership hour and headcount growth are shown on page 2.

MEC—The purpose of the Medical Education Council is to evaluate the current and future health care needs in Utah, to determine the necessary workforce, and to stabilize funding for training (which has been done). The budget includes \$364,100 from the General Fund and a total budget of \$1,014,100. With an expected increase in dedicated credits of \$23,700 and \$292,000 in Beginning Nonlapsing balances, the FY 2008 base budget becomes \$1,329,800 with the General Fund amount at the same level as the ongoing level of FY 2007.

4. Governor's Overview of USHE, UCAT, and MEC Budgets—Dirk Anderson, Governor's Office of Planning and Budget, feels strongly about what the USHE stands for. The Governor's Budget can be found on the Governor's Web site with higher education recommendations on page 94. Highlights include a COLA and a discretionary increase to help recruit and retain professors. There is also a recommendation of \$11.6 million for utilities. Since the State is doing well financially, the Governor feels it is time to invest resources in both public and higher education. In addition, he recommends \$5 million in one-time and ongoing funding for the Engineering Initiative, \$500,000 for the Nursing Initiative, and money for the TH Bell and New Century Scholarships. A major centerpiece is a \$5 million recommendation for bachelors degrees to be offered outside the Wasatch Front—particularly through USU—at Snow and CEU. The Governor also recommends funding for the Hill Air Force Engineering partnership through Weber State.
5. Regents' Overview of USHE Budget—Commissioner Rich Kendell said the role of higher education is to produce self-sustaining adults—someone who earns an income of \$40,000 or more a year for a family of four. Many young people graduate from high school and try to be self-sustaining while earning \$22,000 per year, and that cannot be done. Studies show that more than 2/3 of the new self-sustaining jobs require some post-secondary education. Commissioner Kendell feels that higher education is central to our well-being as individuals and as a state.

Higher education has adjusted its goals and efforts to meet the demands of today's global economy and evolving families. The three areas that need statewide attention are:

1. Preparation—Studies show that only 20% of high school students choose courses that prepare them for college;
2. Participation—The chance of 18- to 24-year-olds enrolling in college has declined by 7% since 1994; and
3. Completion—Utah ranks 12th in the nation in the 45-64 age group for bachelor's degrees, but 32nd for the 25-34 age group.

Compensation is the Regents' first priority, and they ask for an equivalent compensation package to that of state employees. They also request \$7,498,900 for retention funds to keep key faculty and staff. Mandated cost requests include utility rate increases (\$7,493,800), IT software licensing costs (\$900,000), database and disaster recovery management (\$464,100), O&M for both state and non-state funded buildings (\$1,612,300), hearing impaired translators (\$1,939,200), and the Academic Library Consortium (\$642,000).

The Regents also request additional funding for the student financial aid federal match (\$210,300) and for need-based student aid (\$3,149,100). Commissioner Kendell noted that the need-based aid was funded in one-time money last year and needs to be moved to ongoing. The request includes the

one-time figure from last year plus an increase based on need to help 5,300 students at about \$800 each.

The Regents request \$5,045,200 for the Engineering Initiative and \$500,000 as the last installment on a \$3 million partnership with the private sector for the Nursing Initiative. The \$692,300 request for the TH Bell Scholarship would help to get more trained teachers in the areas of the greatest demand. The Regents also request \$437,500 for New Century Scholarships.

One-time requests are for engineering, computer science, and scientific equipment (\$4,000,000) IT equipment network infrastructure for the master plan (\$3,000,000), disaster recovery (\$1,000,000), CTE equipment (\$1,000,000), the State Scholarship Initiative (\$500,000) and Library Enhancements and Acquisitions(\$1,000,000).

Following questions from Rep. Bigelow, Commissioner Kendell said there was either an oversight or a misunderstanding, and O&M for the building at SLCC was left out of last year's budget. The original Engineering Initiative amount was \$10 million in ongoing funding. From the beginning, some funding was in one-time funding and some in ongoing. The request would put the remaining amount of about \$5,000,000 in ongoing funding.

Sen. Bell said compensation is typically handled at the Executive Appropriations level and is not decided by the subcommittees. Compensation is then included in the base budget for next year. Retention funds are separate from that process but will be added to the base budget as well. O&M requests are for approved buildings that will come online this year.

Sen. Bell asked about translators for the hearing impaired. Commissioner Kendell said higher education doesn't have enough trained staff to provide education equally to the hearing impaired. Sen. Bell asked for a more detailed presentation and Commissioner Kendell agreed to present that information at a later meeting.

Commissioner Kendell said that if S. B. 90, Higher Education Enhancements, by Sen. Hickman passes, those funds will be embedded into the base budgets. The institutions identified the most pressing needs and that is what is included in the bill. UVSC requested \$3,000,000 to help with the change to university status. The change will come in installments because UVSC needs to hire more faculty and develop additional undergraduate and graduate programs.

Rep. Shurtliff asked if there is still a public partnership under the Nursing Initiative. Commissioner Kendell said there is a two to one match. The state has provided its part in increments with one-time money. The current request would put the money into ongoing funding and finish the Initiative.

Rep. Bigelow said that O&M on state funded projects should have been pre-approved. Commissioner Kendell said some of the buildings were authorized prior to the rule. He will get the entire list and the amounts for Rep. Bigelow.

4. UCAT overview of UCAT budget—Kirt Michaelis, Vice President of Administrative Services, said UCAT provides market-driven and career education to both secondary and post-secondary students. Compensation is the number one priority and, like higher education, UCAT requests a compensation package equivalent to state employees.

Jobs Now is for short-term programs (under a year) that get workers into the work force very quickly. UCAT would like one-time funding from last year for Jobs Now to be put into ongoing.

Mr. Michaelis said UCAT requests \$1,197,800 to meet a membership hour growth of 4.7%. UCAT requests lease increases for seven UCAT campuses and the administration at \$932,800 and for operational budget needs at \$619,400. They also need interpreters for the hearing impaired that currently puts a burden on programmatic budgets.

Other ongoing budget requests include funding to expand the capacity of the Custom Fit Training program (\$750,000); salary retention funds to compete with business and industry for instructors (\$347,000); funding for one additional FTE for the student information system (\$81,000); and \$2,122,300 for capital training equipment to keep up with technology.

Rep. Daw assumed the committee chair.

Supplemental requests for are leases at two campuses that were partially funded during the last session and Ogden Weber ATC requests lease funding for the Lean Manufacturing Center for a total of \$1,310,300. A partner has donated the needed equipment for the Center and they need a place to use it. Four campuses need increases to keep pace with rate hikes (\$245,000). Facility O&M funding is requested for the Blanding Building of the SEATC (\$19,000).

Rep. Clark asked why O&M for the Blanding Building was not pre-approved. Mr. Michaelis said it is a non-state funded project for a building located next to the school property. Rep. Clark expressed concern about the process of building with non-state funds and not asking for O&M approval. Mr. Michaelis said that no state funds were brought in at the time of building. Mr. Pratt said the policy is that if the state approves and funds a building, it also funds O&M. Buildings that are approved but are not funded by the legislature do not go through the O&M funding process until they come on line. The Blanding Building did ask for O&M last year, but it was not funded. Rep. Clark said that if a building is coming online, the O&M should be accepted or not. He would like to look at O&M when the building is approved and not come back later with an O&M funding request.

Rep. Clark said there is a sizeable increase in UCAT leases and asked how they are negotiated. Mr. Pratt said by statute, UCAT facilities should be leased and expanded as needed. Some of the O&M is built into the lease. Rep. Bigelow asked for a report on O&M for non-state funded buildings in higher education. He feels the lease process for UCAT needs to be studied.

5. MEC overview of MEC budget—David Squire, Executive Director of the Utah Medical Education Council—The UMEC budget request is \$56,200 for capital leases and an increase of about \$40,000 of dedicated credits expenditures. Mr. Squire said the purpose of the Medical Education Council is to (1) determine workforce requirements for Utah's health care professionals; (2) recommend strategies to finance and train Utah's health care professionals; and (3) develop and apply to the Center for Medicare and Medicaid Services for a health care professional workforce demonstration project.

The UMEC is a nine-member board established through statute and appointed by the governor. Workforce research is determined by survey reports based upon data created through surveys conducted by the UMEC in conjunction with professional representatives and through profile reports based upon public data base information created through governmental regulation.

Research shows that Utah needs 200+ physicians to enter the workforce each year. The UMEC links the needs of the state with training and financing to make sure the state is training the proper mix of physicians.

The physician assistants class size has increased from 32 to 36 based on UMEC recommendations; the total residency training for dentists has increased over 65% and shifted focus to rural and under-

served areas. Pharmacists training capacity has also expanded with the University of Southern Nevada opening a new college of pharmacy here in Utah.

Mr. Squire said that the United States will have a shortage of 200,000 physicians by 2020. Utah is slightly less than 1% of the national population, so there will be a shortage of approximately 2,000 physicians. Utah trains about 50 physicians per year, approximately 20% of the needed workforce which means that Utah is reliant on other states for physicians. Mr. Squires said Utah needs to become more self-sufficient and increase the number of physicians that are trained.

Rep. Daw asked what the underlying causes of the shortages are. Mr. Squire said there isn't really one reason, but technology trends have a big impact. A physician's commitment is usually long-term and long hours. Many of the smartest and brightest minds can make more money in the dot coms rather than health care and they don't have to put in the long hours.

Other outcomes for the UMEC include expanded programs for registered nursing needs and the creation of Utah's first CRNA training program at Westminster College. They also support the Governor's, the Board of Regents' and the Utah Hospital Association's request to increase ongoing funding for nursing education.

Further goals for the UMEC include developing a comprehensive educational funding plan for Utah's health care professionals and to return next year with priorities and requests for ongoing financial support.

Rep. Daw asked if increasing the number of physician assistants would reduce the number of required physicians. Mr. Squire said there is already a high ratio of nurse practitioners and physicians assistants to physicians in Utah that dilutes the physician to patient ratio.

6. USHE Compensation (Issue Brief USHE – 13)—Mr. Pratt said the first page of the Issue brief is a summary of all the issue briefs.

Sen. Bell resumed the committee chair.

Page 29 shows the 75/25% split proposal for future compensation increases. It doesn't add any additional money to the system, but shifts funding from tuition dollars to state dollars. If that proposal had been in place for FY 2007, the State's portion would have increased by \$3.8 million and reduced student costs by the same amount.

7. USHE Funding (Issue Brief USHE – 14)—Mr. Pratt discussed Issue Brief 14 that looks at state funding for higher education funding over the last 20 years (page 31). In 1985 state tax funds supported about 76.4% of the cost of instruction. In FY 2007 the state portion was 66.6%. The funding ratios have split over the last 20 years with the ten years from 1985 to 1995 showing a noticeable decrease in state funding. In the last two years it has gone up some, but it is still below that of 1985. The decrease has been made up by both first and second tier tuition increases that are necessary for compensation increases and for specific proposals like counseling, libraries, etc.

Sen. Goodfellow said the statistics are skewed by second tier tuition increase differences and don't give a clear picture of what has actually happened. Some institutions couldn't raise tuition because of the populations they serve; some institutions got more money because they raised tuition more and so could provide more to the students. Mr. Pratt said the question is if tuition is going up because state funding is going down, or is state funding not going up because institutions can raise second tier tuition? It is a complicated problem that is the result of many factors. Rep. Goodfellow said the state

should have funded more than it did because institutions are balancing budgets on the backs of students. Mr. Pratt said the percentages are state funding divided by the total institutional budget.

Mr. Pratt said the next two issue briefs address the skewed problem. Rep. McIff asked whether some institutions made conscious decisions to raise tuition higher than others because they feel that served some added programs or that they wanted to move faster than the state was prepared to move? Sen. Bell said some decisions were made on marketing and business scenarios and it is a definite balance. He explained first and second-tier tuition increases to new members of the committee. Commissioner Kendell said the first tier is calculated to meet the compensation increase that is approved by the Legislature. Second tier tuition is driven by specific institutional needs for counselors, professors, programs, etc. Presidents put the proposal together and then consult students under the Truth in Tuition Law.

8. USHE Tuition (Issue Brief USHE – 15)—Mr. Pratt discussed a chart on page 35 of the Issue Brief showing the history of first- and second-tier tuition. Second-tier increases are institution-specific and are first approved by the Regents and then presented to students for approval. Mr. Pratt said tuition increases were also impacted by budget cuts in 2001-2002. Tuition increases are becoming a more critical issue for many students who are getting priced out of an education.

Mr. Pratt said non-resident tuition rates are found on page 36. As per Regent policy, non-resident tuition is three times that of resident students. Page 37 compares tuition and fee rates at Rocky Mountain area and WICHE institutions. Tuition comparisons at baccalaureate institutions—UVSC and Dixie—is a little more complicated because Dixie has two tuition levels. The community colleges—SLCC, CEU and Snow—are clustered tightly in the middle of the comparison lists. The Regents look at these comparisons because they don't want to price students out of an education but must find a balance with budget needs.

Rep. McIff said tuition is much more competitive at the doctorate institutions than at the masters and community colleges. Sen. Bell said California should be taken out of the mix because of its financing structure. With California out, Utah is pretty competitive except for the community colleges.

MOTION: Rep. Johnson moved to adjourn.

The motion passed unanimously with Sen. Bramble and Rep. Bigelow absent for the vote.

Committee Co-Chair Bell adjourned the meeting at 4:09 p.m.

Minutes were reported by Rolayne Day, Secretary.

Sen. Greg Bell, Committee Co-Chair

Rep. Kory M. Holdaway, Committee Co-Chair